

PUBLIC HEARING
ON THE
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT'S
BUDGET WITHIN
THE MAYOR'S FY 2005 PROPOSED BUDGET REQUEST

BEFORE
THE COMMITTEE ON ECONOMIC DEVELOPMENT
HAROLD BRAZIL, CHAIRMAN
COUNCIL OF THE DISTRICT OF COLUMBIA



TESTIMONY OF STANLEY JACKSON
DIRECTOR
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

WEDNESDAY, MARCH 31, 2004

GOOD AFTERNOON, CHAIRMAN BRAZIL AND MEMBERS OF THE ECONOMIC DEVELOPMENT COMMITTEE. I AM STANLEY JACKSON, DIRECTOR OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD OR THE DEPARTMENT). HERE AT THE TABLE WITH ME TODAY IS GEORGE DINES, CHIEF FINANCIAL OFFICER AT DHCD. PRESENT IN THE AUDIENCE TO ASSIST US ARE MEMBERS OF MY SENIOR STAFF.

I AM PLEASED TO BE HERE TO TESTIFY ON MAYOR ANTHONY A. WILLIAMS' FISCAL YEAR 2005 (FY 2005) PROPOSED BUDGET REQUEST FOR THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT. I WILL BE DISCUSSING THE CHALLENGES WE FACE IN FY 2005 AND HOW WE PLAN TO USE THE DEPARTMENT'S FY 2005 BUDGET RESOURCES TO SUPPORT THE HOUSING AND COMMUNITY DEVELOPMENT NEEDS OF OUR CITY. OUR GOAL IS TO IMPROVE THE QUALITY OF LIFE FOR LOW-AND MODERATE-INCOME RESIDENTS BY:

- **MAXIMIZING HOME OWNERSHIP OPPORTUNITIES;**
- **INCREASING THE SUPPLY OF DECENT, SAFE AND AFFORDABLE HOUSING THROUGH PRESERVATION, REHABILITATION AND NEW CONSTRUCTION; AND**
- **SUPPORTING NEIGHBORHOOD REVITALIZATION AND ECONOMIC OPPORTUNITIES.**

THE CHALLENGES:

FISCAL YEAR 2005 WILL PRESENT US WITH MANY EXTERNAL AND INTERNAL CHALLENGES. FEDERAL AND LOCAL RESOURCES CONTINUE TO SHRINK AT A TIME WHEN THE SUPPORT NEEDED IS GREATER, FOR EXAMPLE:

- ✓ **THE DEMANDS FOR AFFORDABLE HOUSING, SENIOR AND SPECIAL NEEDS HOUSING ARE INCREASING;**
- ✓ **THE BOOMING HOUSING MARKET IS PLACING HOME OWNERSHIP OUT OF REACH FOR LOW-INCOME RESIDENTS AS WELL AS MODERATE- AND MIDDLE-INCOME RESIDENTS, SUCH AS POLICE OFFICERS, FIREFIGHTERS, TEACHERS AND OTHER GOVERNMENT WORKERS;**

- ✓ **JOB GROWTH IN THE SERVICE INDUSTRIES IN THE DISTRICT OF COLUMBIA, WHILE PROVIDING ENTRY-LEVEL OPPORTUNITIES, WILL NOT PROVIDE ENOUGH INCOME FOR HOME OWNERSHIP;**
- ✓ **TEN-YEAR PROJECTIONS INDICATE THAT JOB GROWTH WILL OUTSTRIP HOUSING PRODUCTION THROUGHOUT THE REGION, FURTHER COMPOUNDING THE CHALLENGES OF THE EXISTING SITUATION; AND**
- ✓ **THE RESPONSIBILITY OF THE DEPARTMENT EXCEEDS ITS RESOURCES IN CREATING AND PRESERVING AFFORDABLE HOUSING. EACH UNIT OF AFFORDABLE HOUSING CREATED BY THE VARIOUS FUNDING SOURCES REQUIRES CONTINUOUS MONITORING TO ENSURE THAT THE HOUSING CREATED REMAINS AFFORDABLE OVER ITS INTENDED LIFE. THERE ARE SEVERAL ACTIVITIES IN WHICH THE DEPARTMENT DOES NOT RECEIVE ADMINISTRATIVE OR OPERATING FUNDS. KEY AMONG THESE ARE: THE IMPLEMENTATION, OVERSIGHT AND MANAGEMENT OF THE LOW-INCOME HOUSING TAX CREDIT PROGRAM, AND THE HOUSING PRODUCTION TRUST FUND. THESE UNFUNDED MANDATES REPRESENT AN UNEQUAL**

**MATCH OF RESPONSIBILITY AND RESOURCES OF THE
DEPARTMENT.**

**THESE FACTORS MAKE IT IMPERATIVE FOR DHCD TO UTILIZE
ALL OF ITS FY 2005 RESOURCES WISELY AND TO FIND WAYS TO
DEVELOP NEW SOURCES OF FUNDING.**

**THE FY 2005 PERFORMANCE-BASED BUDGET (PBB) REFLECTS THE
MAYOR'S EMPHASIS ON HOME OWNERSHIP, THE PRIORITIES IN
THE CITY-WIDE STRATEGIC PLAN, THE DESIGNATED TARGET
AREAS AND THE COMMENTS RECEIVED FROM RESIDENTS
DURING DHCD'S PUBLIC HEARINGS AND NEIGHBORHOOD ACTION
MEETINGS. THE PBB BUDGET AND DHCD'S STRATEGIC BUSINESS
PLAN ARE ALIGNED WITH THE FY 2005 CONSOLIDATED ACTION
PLAN TO ADDRESS THE VIOLENCE REDUCTION PRIORITIES OF
THE MAYOR AND CITY ADMINISTRATOR. THE DISTRICT'S FY 2005
PROPOSED CONSOLIDATED ACTION PLAN TO THE U.S. HOUSING
AND URBAN DEVELOPMENT (HUD) INCLUDES ABOUT ONE
MILLION DOLLARS (\$1,000,000) FOR PUBLIC SAFETY AND CRIME
PREVENTION ACTIVITIES.**

FY 2005 BUDGET REQUEST:

DHCD REQUESTS THE COUNCIL'S APPROVAL OF ITS PROPOSED GROSS BUDGET FOR FY 2005. THE REQUEST IS FOR \$124,797,973, WITH 135 FULL-TIME EQUIVALENT POSITIONS (FTE). THIS IS A NET INCREASE OF +\$31,265,636 FROM THE FY 2004 APPROVED GROSS BUDGET.

THE TOTAL DHCD FY 2005 PROPOSED BASELINE GROSS BUDGET INCLUDES THREE (3) DIFFERENT SOURCES OF FUNDS:

1. FEDERAL ENTITLEMENT FUNDS FROM HUD	\$48.0 MILLION
2. LOCAL APPROPRIATED FUNDS	\$2.4 MILLION
3. OTHER FUNDS (INCLUDING REPAYMENT ACCOUNTS & HOUSING PRODUCTION TRUST FUND)	\$74.4 MILLION
DHCD FY 2005 TOTAL	\$124.8 MILLION

LET ME BREAK OUT THESE FUNDING SOURCES FOR YOU:

FEDERAL FUNDS

DHCD SERVES AS THE CITY'S DESIGNATED GRANT ADMINISTRATOR FOR FOUR (4) HUD ENTITLEMENT PROGRAMS,

INCLUDING 1) THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM, 2) THE HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME), 3) THE EMERGENCY SHELTER GRANTS PROGRAM (ESG), AND 4) THE HOUSING FOR PEOPLE WITH AIDS PROGRAM (HOPWA). DHCD APPLIES FOR THESE GRANTS BY SUBMITTING A FIVE-YEAR CONSOLIDATED PLAN AND AN ANNUAL ACTION PLAN TO HUD. THE CONSOLIDATED PLAN AND ACTION PLAN ALLOW DHCD TO DESCRIBE THE CITY'S PERFORMANCE TARGETS AND STRATEGIES FOR THE USE OF FEDERAL FUNDS IN PURSUIT OF HUD'S AND THE CITY'S OBJECTIVES.

THE FEDERAL SHARE OF THE BUDGET:

IN THE FY 2005 BUDGET REQUEST, FEDERAL FUNDS MAKE UP ABOUT 38% OF THE TOTAL DHCD GROSS BUDGET, PROVIDING \$47,985,518 WHICH FUNDS 93% OR 125 OF OUR FULL-TIME POSITIONS. THIS IS AN INCREASE OF +\$6.7 MILLION IN THE FEDERAL FUNDING FROM THE APPROVED BUDGET OF FY 2004.

CDBG & HOME

THE TWO LARGEST SOURCES OF FEDERAL FUNDS ARE THE CDBG PROGRAM, WHICH PROVIDES \$33,815,000 (\$22.9 MILLION IN CDBG ENTITLEMENT DOLLARS, \$8.9 MILLION IN PROJECTED PROGRAM INCOME AND \$2.0 MILLION IN CARRY-OVER AUTHORITY); AND THE HOME PROGRAM, WHICH PROVIDES \$9,579,000 (\$9.1 MILLION IN ENTITLEMENT FUNDS AND \$.4 MILLION IN PROJECTED PROGRAM INCOME).

LEAD-BASED PAINT HAZARD REDUCTION GRANTS

IN ADDITION, DHCD HAS RECEIVED TWO FEDERAL GRANTS FROM HUD, SPECIFICALLY TO TREAT LEAD-BASED PAINT HAZARDS. IN FY 2005, PROPOSED EXPENDITURES WILL TOTAL \$3.8 MILLION, AS DISCUSSED BELOW:

- A LEAD HAZARD CONTROL GRANT OF \$2,997,743, TO BE EXPENDED OVER THE PERIOD OF OCTOBER 1, 2003 THROUGH MARCH 31, 2007, OF WHICH THE AGENCY HAS BUDGETED \$2,232,796 IN FY 2005; AND**
- A LEAD HAZARD REDUCTION DEMONSTRATION GRANT OF \$2,000,000, TO BE EXPENDED OVER THE PERIOD OF OCTOBER**

1, 2003 THROUGH MARCH 31, 2007, WHICH THE AGENCY HAS BUDGETED \$1,563,722 IN FY 2005.

EMERGENCY SHELTER GRANT (ESG)

FOR ADMINISTRATION AND MONITORING OF THE ESG GRANT, DHCD HAS ENTERED INTO A MEMORANDUM OF UNDERSTANDING WITH THE OFFICE OF THE DEPUTY MAYOR FOR CHILDREN, YOUTH, FAMILIES AND ELDERS. THE DEPUTY MAYOR'S OFFICE MANAGES THE GRANT THROUGH PROJECTS IMPLEMENTED BY THE COMMUNITY PARTNERSHIP FOR THE PREVENTION OF HOMELESSNESS (THE PARTNERSHIP). THE FY 2005 ESG BUDGET IS \$795,000.

HOUSING FOR PEOPLE WITH AIDS PROGRAM (HOPWA)

FINALLY, THE D.C. DEPARTMENT OF HEALTH, HIV/AIDS ADMINISTRATION DIRECTLY RECEIVES, ADMINISTERS AND MONITORS THIS GRANT OF \$11,802,000 FOR THE HOPWA PROGRAM IN THE DISTRICT AND PORTIONS OF MARYLAND, VIRGINIA AND WEST VIRGINIA.

THE NON-FEDERAL SHARE:

THE REMAINING 62% OF DHCD’S BUDGET IS MADE UP OF LOCAL FUNDS OF JUST OVER \$2,352,653 FROM DISTRICT APPROPRIATED DOLLARS; AND “OTHER FUNDS” INCLUDING, \$7,436,215 FROM LOAN REPAYMENT ACCOUNTS, AND \$67,023,587 IN THE HOUSING PRODUCTION TRUST FUND ALLOCATIONS.

LOCAL FUNDS

FOR FY 2005, THE PROPOSED LOCAL APPROPRIATION IS \$2,352,653, WHICH REPRESENTS A NET DECREASE OF -\$1,733,347 FROM THE FY 2004 BUDGET. LOCAL FUNDS PAY FOR OVERHEAD, PROGRAM DELIVERY COSTS, AND HOUSING ASSISTANCE TO DISTRICT GOVERNMENT EMPLOYEES AND OTHER RESIDENTS WHOSE INCOMES EXCEED FEDERAL GUIDELINES.

OTHER FUNDS

THE CATEGORY OF “OTHER FUNDS” IS MADE UP OF THE HOUSING PRODUCTION TRUST FUND (HPTF), AND LOAN REPAYMENTS THAT ARE RECYCLED INTO THE HOME PURCHASE ASSISTANCE PROGRAM (HPAP) AND THE MULTI-FAMILY RESIDENTIAL

**REHABILITATION PROGRAM. THESE TYPES OF FUNDS ARE
ESSENTIAL FOR MAINTAINING OUR HOME OWNERSHIP
PROGRAMS.**

**FOR FY 2005, THE FUNDS BUDGETED IN THE “OTHER FUNDS”
CATEGORY TOTAL \$74,459,802, WHICH IS MADE UP OF \$67,023,587
FROM THE HOUSING PRODUCTION TRUST FUND (HPTF), AND
\$7,436,215 FROM LOAN REPAYMENTS. THIS IS AN INCREASE OF
+\$26,273,772 OR 54.5% FROM THE FY 2004 FUNDING LEVEL OF
\$48,186,030.**

FY 2005 BUDGET AS REFLECTED IN PROGRAMS
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**IN FISCAL YEAR 2005, DHCD REMAINS FOCUSED ON ITS CORE
MISSIONS: TO ALLOCATE ITS BUDGET DOLLARS TO MAXIMIZE
HOME OWNERSHIP; TO INCREASE THE SUPPLY OF AFFORDABLE
HOUSING; AND TO STIMULATE NEIGHBORHOOD REVITALIZATION
AND ECONOMIC OPPORTUNITIES.**

I WILL NOW DISCUSS OUR FY 2005 FOCUS AREAS:

1. HOME OWNERSHIP AND HOME REHABILITATION

HOMEOWNERSHIP IS THE CORNERSTONE OF THE AMERICAN DREAM. IT IS A LINCHPIN TO BUILDING WEALTH FOR INDIVIDUALS AND FAMILIES. THE TREMENDOUS ESCALATION IN HOME SALE PRICES IN THE PAST FEW YEARS HAS ALSO TRANSLATED INTO HIGHER DOWN PAYMENT REQUIREMENTS FOR HOMES, WHICH OFTEN PLACES PURCHASING A HOME OUT OF REACH FOR LOW-AND MODERATE-INCOME INDIVIDUALS. DHCD WILL CONTINUE TO USE ITS FUNDS TO MITIGATE THE HURDLE BY APPLYING RECENTLY APPROVED INCREASES IN THE AMOUNT OF ASSISTANCE AVAILABLE FOR DOWNPAYMENT AND CLOSING COSTS TO RESIDENTS OF THE DISTRICT OF COLUMBIA SEEKING TO BECOME FIRST-TIME HOMEBUYERS. INCREASED HOME OWNERSHIP SERVES TO STRENGTHEN FAMILIES WHILE AT THE SAME TIME STABILIZE NEIGHBORHOODS. IN ADDITION, THESE HOMEOWNERS CONTRIBUTE TO THE TAX BASE IN THE DISTRICT.

IN FY 2005, DHCD BUDGETED \$15.7 MILLION FOR HOMEOWNERSHIP AND HOME REHABILITATION INITIATIVES.

THIS AMOUNT IS MADE UP OF \$5,195,535 IN CDBG DOLLARS, \$3,322,418 IN HOME PROGRAM DOLLARS, \$1,000,000 IN HOUSING PRODUCTION TRUST FUNDS, \$6,124,215 IN OTHER FUNDS AND \$590,222 IN LOCAL FUNDS.

2. NEIGHBORHOOD INVESTMENTS

DHCD'S PROGRAM OF NEIGHBORHOOD INVESTMENTS FOR FY 2005 WILL PROVIDE \$8.7 MILLION OF CDBG DOLLARS TO FUND A VARIETY OF ACTIVITIES FOR COMMUNITY REVITALIZATION. FOR THESE ACTIVITIES, NEIGHBORHOOD-BASED NON-PROFIT ORGANIZATIONS ACT AS AGENTS OF THE DEPARTMENT.

3. AFFORDABLE HOUSING AND REAL ESTATE DEVELOPMENT

IN ADDITION TO ITS OWNERSHIP AND NEIGHBORHOOD INVESTMENT PROGRAMS, A MAJOR PART OF DHCD'S MISSION INVOLVES AFFORDABLE HOUSING PRODUCTION AND REAL ESTATE DEVELOPMENT. THIS INCLUDES PRESERVATION AND REHABILITATION OF EXISTING HOUSING, NEW HOUSING CONSTRUCTION AND SUPPORT FOR COMMUNITY DEVELOPMENT.

IN FY 2005, DHCD BUDGETED A TOTAL OF \$67,794,464 FOR AFFORDABLE HOUSING/REAL ESTATE DEVELOPMENT. THIS AMOUNT IS MADE UP OF \$12 MILLION IN CDBG DOLLARS, \$5.3 MILLION IN HOME PROGRAM DOLLARS, \$3.8 MILLION IN LEAD HAZARD GRANTS, \$45.9 MILLION IN HPTF FUNDS AND \$816,000 FROM OTHER FUNDS.

THE CAPITAL BUDGET

IN THE CAPITAL BUDGET FOR FY 2005, DHCD HAS REQUESTED FUNDING FOR ONE NEW SUB-PROJECT IN THE AFFORDABLE HOUSING PROJECT LINE, SPECIFICALLY :

- ***HIGHLAND ADDITION UTILITY INFRASTRUCTURE.* DHCD HAS REQUESTED \$1.6 MILLION FOR THE CONSTRUCTION OF WATER AND SEWER LINE CONNECTIONS IN THE STREET TO SUPPORT 150 PROPOSED UNITS TO BE BUILT ON A NINE-ACRE VACANT SITE THAT IS PART OF THE REDEVELOPED HIGHLAND ADDITIONS PUBLIC HOUSING DEVELOPMENT. WE ARE MAKING THIS REQUEST ON BEHALF OF THE D.C. HOUSING AUTHORITY.**

ONE SUBPROJECT, ARTHUR CAPPER/CARROLLSBURG STREET/UTILITY INFRASTRUCTURE FOR \$1 MILLION, WAS ORIGINALLY PROJECTED FOR FY 2005 BUT WAS ACCELERATED TO FY 2004.

INITIATIVES:

TO MEET THE CHALLENGES AHEAD, WE CONTINUE TO MANAGE EVERY DOLLAR AND EVERY ACTIVITY WISELY, MAXIMIZING FINANCIAL LEVERAGE AND PROGRAM OUTCOMES FROM EVERY PROJECT. WE WILL CONTINUALLY RE-ASSESS FINANCIAL MANAGEMENT, PROGRAMS AND PERSONNEL TO PROVIDE THE BEST POSSIBLE SERVICES TO OUR COMMUNITIES. WE WILL “WORK SMARTER” BY FOCUSING ON:

- ✓ CLOSE MONITORING OF THE TIMELINESS AND ACCURACY OF ALL FINANCIAL TRANSACTIONS;**
- ✓ SUB-RECIPIENT MONITORING FOR COMPLIANCE WITH SCOPES OF WORK AND FINANCIAL ACCOUNTING,**
- ✓ CREATIVE USE OF ALL POTENTIAL FUNDING SOURCES TO EXPAND HOUSING OPPORTUNITIES,**

- ✓ **DEPARTMENT-WIDE COMPETENCE IN AND UTILIZATION OF THE GRANT MANAGEMENT SYSTEM (REFERRED TO AS HDS) TO MAINTAIN AND TRACK ALL DHCD PROJECTS/PROGRAMS AND LINK THEM TO THE HUD IDIS SYSTEM,**
- ✓ **IMPROVED OUTREACH, INFORMATION AND ACCESS TO DHCD'S PROGRAMS THROUGH INTENSIFIED MARKETING WITH OUR COMMUNITY OUTREACH AMBASSADORS,**
- ✓ **CONTINUED INVESTMENT IN WORKFORCE DEVELOPMENT AND TRAINING,**
- ✓ **ALIGNMENT OF DHCD NEIGHBORHOOD INVESTMENTS TO MEET THE COMMUNITY'S NEEDS AND DESIRES AS EXPRESSED IN CITY-WIDE PLANNING SESSIONS, THE CONSOLIDATED PLAN PUBLIC HEARINGS AND THROUGH THE LEADERSHIP OF MAYOR WILLIAMS AND THE COUNCIL OF THE DISTRICT OF COLUMBIA.**

THIS CONCLUDES MY FORMAL TESTIMONY, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. MY STAFF AND I WILL BE PLEASED TO ANSWER YOUR QUESTIONS.